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UNDP COMMENTS ON THE REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Enhancing the internal oversight mechanisms in operating funds and programmes

I. GENERAL COMMENTS

1. Members of the Executive Board will recall that during the informal consultation held on 28 April 1997 they requested the Administrator to provide written comments on the report produced by the Office of Internal Oversight Services (OIOS) on enhancing the internal oversight mechanisms in operating funds and programmes (A/51/801).

2. The Administrator supports the strengthening of the internal oversight mechanisms described in the report and has already undertaken a number of actions to that end. In this context, a few general comments on the contents and analysis of the report are given below. Specific comments on the recommendations of the report are contained in Chapter II.

Resources

3. OIOS comments on the resources provided by UNDP for internal oversight functions focus primarily on the number of staff (Professional and General Service). UNDP believes that qualitative aspects such as qualifications, training and experience are also important. Furthermore, information is not included on the use of subcontracted resources; for example:

(a) In the case of UNDP, a number of internal audits and accounts examinations of country offices are carried out through contracts with international accounting firms (approximately $2 million in 1996). Additional contract funds are being requested for the next biennium to expand this effort;

(b) UNDP and UNICEF have the largest portfolio of evaluations in the United Nations system. The Office of Evaluation and Strategic Planning (OESP) estimates that the UNDP evaluation expenditures at the central and decentralized levels recorded in 1996 amounted to $1.5 million and $3.5 million respectively. These funds will be tripled for the next biennium.

Coordination

4. UNDP believes that the OIOS comments on coordination should have recognized the coordination and cooperation that already exists between various internal oversight units within the member organizations of the United Nations system. For example:

(a) The heads of internal audit, including the Under-Secretary-General and the head of internal audit, OIOS, meet formally once a year to discuss common issues and concerns. Some preliminary efforts have been made to develop joint approaches.

(b) Other coordinating efforts include: the Inter-Agency Working Group on Evaluation, led by UNDP, which has developed guidelines for monitoring and evaluation for the United Nations in the context of the programme approach; and the Joint Consultative Group on Policy (JCGP) sub-group on harmonization, which has produced guiding principles for monitoring and evaluation that have been adopted by all member organizations.

(c) The JCGP sub-group on harmonization also addressed the subject of management audit systems through a working group. In this context, there have been periodic consultations between the audit services of the funds and programmes through which considerable consensus has been achieved, particularly in standards for the conduct of auditing. In this connection, the JCGP audit services reaffirmed adoption of the General and Specific Standards for the Professional Practice of Internal Auditing in the United Nations Organizations, which had been adopted in 1990 at the annual meeting of representatives of internal audit services.

Standards

5. With reference to audit, OIOS states its willingness to rely on services provided by other entities as long as adherence to OIOS standards is guaranteed. If OIOS is referring to the guidelines (Generally Accepted Auditing Standards) used by internal audit units to guide their work, it should be pointed out that UNDP, along with the other internal audit units in the United Nations system (including OIOS) adopted the internationally recognized standards for the practice of internal auditing, as promulgated by the Institute of Internal Auditors. If OIOS has adopted other standards, UNDP would be interested in the opportunity to review them. Similarly, since UNDP, in the context of the Inter-Agency Working Group on Evaluation, has established monitoring and evaluation standards, the Administrator would welcome a review of the OIOS guidelines as part of the harmonization exercise.

II. COMMENTS ON RECOMMENDATIONS

Recommendation 1. The results of our survey indicated the existence of dedicated monitoring units in some funds and programmes, whereas in others the monitoring tasks are accomplished through other organizational units. In view of the refocusing of programme performance monitoring and evaluation as promoted by OIOS, it is recommended that the monitoring concept be viewed and developed as part of the managerial responsibility. Whatever organizational structure has been used to perform the monitoring tasks, its function should be modified to that of a facilitator, gathering the appropriate data and most importantly, independently analysing and reporting on the implementation of programme activities. Furthermore, the OIOS guidelines on programme monitoring and evaluation should be embraced as a minimum requirement and implemented by those funds and programmes which have certain deficiencies in these areas.

6. UNDP agrees with the recommendation. Compliance with operational policies and guidelines is monitored by the Division of Finance (DOF) through accounts examination as well as by the Division for Audit and Management Review (DAMR as part of their audit and review activities.

7. Monitoring of projects and programmes at the country level is the responsibility of country office management, under the overall supervision of the regional bureaux. Compliance with evaluation requirements is monitored by OESP. Compliance is reported to the Programme Management Oversight Committee (PMOC) and Executive Board and the results are published in the OESP annual publication "Evaluation Findings".

Recommendation 2. The current arrangement gives the audit unit responsibility for the inspection function in most funds and programmes. In the experience of OIOS, specialized knowledge of the area to be inspected has been essential in forming the inspection team. Additionally, the inspection team must frequently be assembled on short notice, in reaction to a perceived problem. In order to address these two key components of inspection, it is recommended that consideration be given to forming separate inspection units in the larger funds and programmes. Where this is not practical, an inspection team should be formed within the audit unit which is trained to deal with these specialized tasks. OIOS also offers its assistance should a fund or programme decide not to establish its own inspection function.

8. In UNDP, the Division for Audit and Management Review has overall responsibility for the inspection function (as defined by OIOS).

9. As part of its efforts to strengthen UNDP inspection and investigation capacity, DAMR organized a special training programme to provide UNDP with the operational flexibility to deal with these issues. Participation included representatives from several United Nations Organizations, including OIOS.

Recommendation 3. Of the surveyed funds and programmes, only WFP has established a unit similar to the OIOS Investigations Section. Currently, OIOS provides investigation services to any fund or programme if requested and the necessary priority is established. In order to provide more effective coverage, resources must be allocated by the individual fund or programme to the budget of the OIOS Investigations Section. However, the decision to carry out an investigation must not be subject to the availability of resources. For those entities which decide to establish their own investigation function, the operational independence of the unit needs to be ensured along with the development of a confidential reporting facility and procedures to protect those who make reports in good faith or are the subject of such reports.

10. DAMR is responsible for coordinating investigation activity in UNDP. As mentioned earlier in paragraph 7.2, UNDP has trained additional resources to carry out investigation activities.

11. UNDP has already requested the assistance of OIOS with respect to the external aspects of the investigation into the Reserve for Field Accommodation and has internally budgeted funds for that purpose. On a case-by-case basis, UNDP is prepared to allocate funds for services rendered by OIOS, at the request of UNDP.

12. UNDP has already issued a circular (UNDP/ADM/92/47 dated 27 April 1992) to establish a process for confidential reporting by staff.

Recommendation 4. The study of the operational funds and programmes determined that in most instances, cooperation among oversight units is approached in a rather informal manner. It is recommended that regular monthly meetings be held among the heads of the oversight units and other units performing the designated oversight functions to discuss oversight issues and exchange information. It is further recommended that periodical meetings be held in all funds and programmes between internal oversight units and management at the executive level to

address issues of planning and coordination of, and compliance with recommendations resulting from internal oversight activities.

13. Various functions involved with oversight within UNDP (the Office of Evaluation and Strategic Planning, the Bureau for Finance and Administration, the Office of Human Resources, the Office of the Administrator, the Division for Audit and Management Review, the Bureau for Resources and External Affairs) meet informally on a regular basis.

14. In addition, as mentioned in the OIOS report, UNDP has established a Management Review and Oversight Committee. The Committee is chaired by the Associate Administrator and its membership includes the Under-Secretary-General, OIOS, and senior UNDP managers. OIOS has suggested that other large funds and programmes consider a similar arrangement.

Recommendation 5. Surveyed funds and programmes have stressed that the implementation of recommendations from internal oversight activities is monitored during subsequent reviews. The effectiveness of the oversight function can be increased if more emphasis is placed upon ensuring the timely implementation of recommendations. Therefore, it is strongly recommended that internal oversight units in the funds and programmes should develop a mechanism for continually monitoring the implementation of their recommendations. This mechanism should include procedures for addressing non-compliance and reporting on the status of implementation to the executive head.

15. UNDP agrees with the importance of monitoring the implementation of recommendations from oversight activities. DAMR currently has the responsibility to follow up on audit recommendations to ensure that appropriate responses are received from the appropriate functions and organizational units within UNDP, including implementation plans for corrective action.

16. DAMR has entered all 1995 and 1996 recommendations into an electronic data base to facilitate monitoring and follow-up. However, satisfactory implementation of corrective action by country offices can normally be assessed only during subsequent audits or reviews.

17. The PMOC Secretariat monitors the implementation of recommendations resulting from centrally initiated evaluations.

Recommendation 6. The results of the present survey indicate that most of the funds and programmes are lacking adequate reporting procedures. It is recommended that the reporting procedures of funds and programmes follow similar lines as those established for OIOS in paragraph 5 (E) of resolution 48/218 B. Therefore, internal oversight units should be authorized to submit, through their respective executive heads, periodic comprehensive reports and ad hoc reports on specific issues to their governing bodies. OIOS reports pertaining to a particular fund or programme should be made available by its executive head to its governing body, upon request from the Under-Secretary-General for Internal Oversight Services, together with the comments of the executive head, as appropriate.

18. In its annual report, OESP already reports the results of significant evaluations to the Executive Board. In addition, all strategic evaluation are presented to the Board. The Bureau for Policy and Programme Support and the regional bureaux also report annually to the Executive Board on the mid-term reviews of country programmes.

19. The first annual report on UNDP Internal Audit and Oversight activities is being provided to the Executive Board at the current session.

20. Significant issues, such as the investigations involving UNIFEM and the Reserve for Field Accommodation have also been reported to the Executive Board on an ad hoc basis.

Recommendation 7. In order to further strengthen and unify reporting procedures, the Secretary-General recommends complementing the reporting line of OIOS to the General Assembly with a report which contains summary records on internal oversight issues of each operational fund and programme. The sub-parts of the summary report would be drafted by the individual entities, making every effort to avoid duplication of reporting; they would also be submitted to the governing body for review and approval before being transmitted to OIOS. The report would provide a tool for the General Assembly to monitor internal oversight activities within the individual organizations and provide a comprehensive overview of the achieved improvements and areas of concern to be addressed in the future.

21. The Administrator feels that his annual report to the Executive Board on internal oversight functions, as mentioned in paragraphs 18 and 19 should be sufficient. It is understood that OIOS may summarize the contents of that report for inclusion in a summary report for the General Assembly.

22. The comments of the Executive Board, as the appropriate governing body to monitor internal oversight activities of UNDP, should be made available to the General Assembly at the same time.

Recommendation 8. In view of its responsibility for the enhancement of internal oversight mechanisms in the operational funds and programmes, and its coordinating role, OIOS should have the authority to seek and obtain any relevant information, specific or general, from the internal oversight entities or the concerned executive heads. OIOS should also have the right to comment, if necessary, on the quality and adequacy of the oversight activities of funds and programmes as they would be reported to the General Assembly following recommendation 7 above.

23. UNDP believes that its Management Review and Oversight Committee provides the OIOS with an appropriate mechanism and means to discharge its responsibilities for coordination and for enhancing oversight in the United Nations system.

24. If OIOS is given the right to comment on the quality and adequacy of the oversight activities of UNDP, this should be accompanied by a corresponding right for UNDP to provide its views on OIOS comments, which should be reported on equal footing to the General Assembly.